



CHRISTOPHER M. HUBER
General Counsel for ORS

Office of Regulatory Staff
1401 Main Street
Suite 900
Columbia, SC 29201
(803) 737-0800
ORS.SC.GOV

November 12, 2021

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

RE: Application of Palmetto Wastewater Reclamation, Incorporated for an
Adjustment of Rates and Charges
(**Docket No. 2021-153-S**)

Dear Ms. Boyd,

A Partial Stipulation signed by all parties was filed in this matter on November 10, 2021. The Partial Stipulation resolved all positions advanced by the Parties except for the authorized return on equity ("ROE"). When the Partial Stipulation was introduced into the record during the hearing on Wednesday, the Commission asked if there were any exhibits regarding the operating experience and revenue requirement under the Partial Stipulation. Attachments B, C, and D to this letter provide the Operating Experience, Rate Base, and Rate of Return under the three different ROE's parties have recommended in this case. Attachment A is a summary of the revenue requirement and rates under the three different ROE's.

Sincerely,

Christopher M. Huber

cc: All Parties of Record (via E-mail)
C. Jo Anne Wessinger Hill (via E-mail)
David Butler, Esquire (via E-mail)

Office of Regulatory Staff
ORS Calculated Revenue Requirements
Palmetto Wastewater Reclamation, Inc.
Docket No. 2021-153-S

Attachment A

Palmetto Wastewater Reclamation, Inc. Proposed Return on Equity @ 10.95%		South Carolina Office of Regulatory Staff Proposed Return on Equity @ 8.9%		South Carolina Department of Consumer Affairs Proposed Return on Equity @ 7.31%	
Revenue Requirement	\$4,083,555 ¹	Revenue Requirement	\$3,907,055 ¹	Revenue Requirement	\$3,770,555 ¹
Revenue Increase	\$390,000	Revenue Increase	\$213,500	Revenue Increase	\$77,000
Rate Increase Percentage	10.61%	Rate Increase Percentage	5.81%	Rate Increase Percentage	2.09%
Monthly Rates per ERC:		Monthly Rates per ERC:		Monthly Rates per ERC:	
Residential	\$41.94	Residential	\$40.12	Residential	\$38.71
Mobile Home	\$31.30	Mobile Home	\$29.94	Mobile Home	\$28.89
Commercial	\$41.94	Commercial	\$40.12	Commercial	\$38.71
Multi-Family	\$41.94	Multi-Family	\$40.12	Multi-Family	\$38.71

Notes:

¹ Utilizes the terms and conditions of the partial stipulation filed on November 9, 2021

Palmetto Wastewater Reclamation, Inc.
Docket No. 2021-153-S
Operating Experience, Rate Base and Rate of Return
For the Test Year Ended December 31, 2020
ROE Scenario 10.95%

<u>Description</u>	(1) Per Application \$	(2) Accounting & Pro Forma Adjustments Under Stipulation \$	(3) After Stipulation Accounting & Pro Forma Adjustments \$	(4) Proposed Adjustment \$	(5) After Proposed Adjustment \$
<u>Utility Operating Revenues:</u>					
Operating Revenues	3,549,800	143,755 (1)	3,693,555	390,000 (20)	4,083,555
<u>Total Utility Operating Revenues</u>	<u>3,549,800</u>	<u>143,755</u>	<u>3,693,555</u>	<u>390,000</u>	<u>4,083,555</u>
<u>Utility Operating Expenses:</u>					
Operating Expenses	933,603	720,705 (2)	1,654,308	3,900 (21)	1,658,208
Depreciation Expense	602,136	97,649 (3)	699,785	0	699,785
Amortization Expense - Other	(11,168)	(1,511) (4)	(12,679)	0	(12,679)
Utility Regulatory Assessment Fees	21,079	5,101 (5)	26,180	2,764 (22)	28,944
Property Taxes	546,417	67,887 (6)	614,304	0	614,304
Other Taxes and Licenses	0	431 (7)	431	1,170 (23)	1,601
Federal Income Taxes, Utility Operating Income	112,336	(9,613) (8)	102,723	76,242 (24)	178,965
State Income Taxes, Utility Operating Income	30,538	(4,793) (9)	25,745	19,108 (25)	44,853
Deferred Federal Income Taxes	2,181	(2,181) (10)	0	0	0
Deferred State Income Taxes	2,181	(2,181) (11)	0	0	0
<u>Total Utility Operating Expenses</u>	<u>2,239,303</u>	<u>871,494</u>	<u>3,110,797</u>	<u>103,184</u>	<u>3,213,981</u>
<u>Net Utility Operating Income (Loss)</u>	<u>1,310,497</u>	<u>(727,739)</u>	<u>582,758</u>	<u>286,816</u>	<u>869,574</u>
Add: Interest and Dividend Income	3,706	(3,706) (12)	0	0	0
Add: Allowance for Funds Used During Construction	18,650	(18,650) (13)	0	0	0
Add: Amortization of Excess Deferred Income Taxes	0	0	0	19,880 (26)	19,880
<u>Net Income (Loss) for Return</u>	<u>1,332,853</u>	<u>(750,095)</u>	<u>582,758</u>	<u>306,696</u>	<u>889,454</u>
<u>Original Cost Rate Base:</u>					
Plant in Service	16,498,687	733,168 (14)	17,231,855	0	17,231,855
Accumulated Depreciation	(4,986,910)	(127,226) (15)	(5,114,136)	0	(5,114,136)
Contributions in Aid of Construction - Net	(347,654)	(3,338) (16)	(350,992)	0	(350,992)
Net Plant	11,164,123	602,604	11,766,727	0	11,766,727
Accumulated Deferred Income Taxes	(4,362)	(25,908) (17)	(30,270)	0	(30,270)
Excess Deferred Income Taxes	(438,319)	0	(438,319)	0	(438,319)
Materials and Supplies	0	0	0	0	0
Prepayments	11,014	0	11,014	0	11,014
Cash Working Capital	116,700	85,472 (18)	202,172	0 (27)	202,172
<u>Total Rate Base</u>	<u>10,849,156</u>	<u>662,168</u>	<u>11,511,324</u>	<u>0</u>	<u>11,511,324</u>
<u>Return on Rate Base</u>	<u>12.29%</u>		<u>5.06%</u>		<u>7.73%</u>
<u>Operating Margin</u>	<u>26.59%</u>		<u>10.46%</u>		<u>16.97%</u>
<u>Interest Expense</u>	<u>389,072</u>	<u>(192,746) (19)</u>	<u>196,326</u>	<u>0</u>	<u>196,326</u>

Palmetto Wastewater Reclamation, Inc.
Docket No. 2021-153-S
Operating Experience, Rate Base and Rate of Return
For the Test Year Ended December 31, 2020
ROE Scenario 8.90%

<u>Description</u>	(1) <u>Per Application</u> \$	(2) <u>Accounting & Pro Forma Adjustments Under Stipulation</u> \$	(3) <u>After Stipulation Accounting & Pro Forma Adjustments</u> \$	(4) <u>Proposed Adjustment</u> \$	(5) <u>After Proposed Adjustment</u> \$
<u>Utility Operating Revenues:</u>					
Operating Revenues	3,549,800	143,755 (1)	3,693,555	213,500 (20)	3,907,055
<u>Total Utility Operating Revenues</u>	<u>3,549,800</u>	<u>143,755</u>	<u>3,693,555</u>	<u>213,500</u>	<u>3,907,055</u>
<u>Utility Operating Expenses:</u>					
Operating Expenses	933,603	720,705 (2)	1,654,308	2,135 (21)	1,656,443
Depreciation Expense	602,136	97,649 (3)	699,785	0	699,785
Amortization Expense - Other	(11,168)	(1,511) (4)	(12,679)	0	(12,679)
Utility Regulatory Assessment Fees	21,079	5,101 (5)	26,180	1,513 (22)	27,693
Property Taxes	546,417	67,887 (6)	614,304	0	614,304
Other Taxes and Licenses	0	431 (7)	431	641 (23)	1,072
Federal Income Taxes, Utility Operating Income	112,336	(9,613) (8)	102,723	41,737 (24)	144,460
State Income Taxes, Utility Operating Income	30,538	(4,793) (9)	25,745	10,461 (25)	36,206
Deferred Federal Income Taxes	2,181	(2,181) (10)	0	0	0
Deferred State Income Taxes	2,181	(2,181) (11)	0	0	0
<u>Total Utility Operating Expenses</u>	<u>2,239,303</u>	<u>871,494</u>	<u>3,110,797</u>	<u>56,487</u>	<u>3,167,284</u>
<u>Net Utility Operating Income (Loss)</u>	<u>1,310,497</u>	<u>(727,739)</u>	<u>582,758</u>	<u>157,013</u>	<u>739,771</u>
Add: Interest and Dividend Income	3,706	(3,706) (12)	0	0	0
Add: Allowance for Funds Used During Construction	18,650	(18,650) (13)	0	0	0
Add: Amortization of Excess Deferred Income Taxes	0	0	0	19,880 (26)	19,880
<u>Net Income (Loss) for Return</u>	<u>1,332,853</u>	<u>(750,095)</u>	<u>582,758</u>	<u>176,893</u>	<u>759,651</u>
<u>Original Cost Rate Base:</u>					
Plant in Service	16,498,687	733,168 (14)	17,231,855	0	17,231,855
Accumulated Depreciation	(4,986,910)	(127,226) (15)	(5,114,136)	0	(5,114,136)
Contributions in Aid of Construction - Net	(347,654)	(3,338) (16)	(350,992)	0	(350,992)
Net Plant	11,164,123	602,604	11,766,727	0	11,766,727
Accumulated Deferred Income Taxes	(4,362)	(25,908) (17)	(30,270)	0	(30,270)
Excess Deferred Income Taxes	(438,319)	0	(438,319)	0	(438,319)
Materials and Supplies	0	0	0	0	0
Prepayments	11,014	0	11,014	0	11,014
Cash Working Capital	116,700	85,472 (18)	202,172	0 (27)	202,172
<u>Total Rate Base</u>	<u>10,849,156</u>	<u>662,168</u>	<u>11,511,324</u>	<u>0</u>	<u>11,511,324</u>
<u>Return on Rate Base</u>	<u>12.29%</u>		<u>5.06%</u>		<u>6.60%</u>
<u>Operating Margin</u>	<u>26.59%</u>		<u>10.46%</u>		<u>14.42%</u>
<u>Interest Expense</u>	<u>389,072</u>	<u>(192,746) (19)</u>	<u>196,326</u>	<u>0</u>	<u>196,326</u>

Palmetto Wastewater Reclamation, Inc.
Docket No. 2021-153-S
Operating Experience, Rate Base and Rate of Return
For the Test Year Ended December 31, 2020
ROE Scenario 7.31%

<u>Description</u>	(1) Per Application \$	(2) Accounting & Pro Forma Adjustments Under Stipulation \$	(3) After Stipulation Accounting & Pro Forma Adjustments \$	(4) Proposed Adjustment \$	(5) After Proposed Adjustment \$
<u>Utility Operating Revenues:</u>					
Operating Revenues	3,549,800	143,755 (1)	3,693,555	77,000 (20)	3,770,555
<u>Total Utility Operating Revenues</u>	<u>3,549,800</u>	<u>143,755</u>	<u>3,693,555</u>	<u>77,000</u>	<u>3,770,555</u>
<u>Utility Operating Expenses:</u>					
Operating Expenses	933,603	720,705 (2)	1,654,308	770 (21)	1,655,078
Depreciation Expense	602,136	97,649 (3)	699,785	0	699,785
Amortization Expense - Other	(11,168)	(1,511) (4)	(12,679)	0	(12,679)
Utility Regulatory Assessment Fees	21,079	5,101 (5)	26,180	546 (22)	26,726
Property Taxes	546,417	67,887 (6)	614,304	0	614,304
Other Taxes and Licenses	0	431 (7)	431	231 (23)	662
Federal Income Taxes, Utility Operating Income	112,336	(9,613) (8)	102,723	15,052 (24)	117,775
State Income Taxes, Utility Operating Income	30,538	(4,793) (9)	25,745	3,773 (25)	29,518
Deferred Federal Income Taxes	2,181	(2,181) (10)	0	0	0
Deferred State Income Taxes	2,181	(2,181) (11)	0	0	0
<u>Total Utility Operating Expenses</u>	<u>2,239,303</u>	<u>871,494</u>	<u>3,110,797</u>	<u>20,372</u>	<u>3,131,169</u>
<u>Net Utility Operating Income (Loss)</u>	<u>1,310,497</u>	<u>(727,739)</u>	<u>582,758</u>	<u>56,628</u>	<u>639,386</u>
Add: Interest and Dividend Income	3,706	(3,706) (12)	0	0	0
Add: Allowance for Funds Used During Construction	18,650	(18,650) (13)	0	0	0
Add: Amortization of Excess Deferred Income Taxes	0	0	0	19,880 (26)	19,880
<u>Net Income (Loss) for Return</u>	<u>1,332,853</u>	<u>(750,095)</u>	<u>582,758</u>	<u>76,508</u>	<u>659,266</u>
<u>Original Cost Rate Base:</u>					
Plant in Service	16,498,687	733,168 (14)	17,231,855	0	17,231,855
Accumulated Depreciation	(4,986,910)	(127,226) (15)	(5,114,136)	0	(5,114,136)
Contributions in Aid of Construction - Net	(347,654)	(3,338) (16)	(350,992)	0	(350,992)
Net Plant	11,164,123	602,604	11,766,727	0	11,766,727
Accumulated Deferred Income Taxes	(4,362)	(25,908) (17)	(30,270)	0	(30,270)
Excess Deferred Income Taxes	(438,319)	0	(438,319)	0	(438,319)
Materials and Supplies	0	0	0	0	0
Prepayments	11,014	0	11,014	0	11,014
Cash Working Capital	116,700	85,472 (18)	202,172	0 (27)	202,172
<u>Total Rate Base</u>	<u>10,849,156</u>	<u>662,168</u>	<u>11,511,324</u>	<u>0</u>	<u>11,511,324</u>
<u>Return on Rate Base</u>	<u>12.29%</u>		<u>5.06%</u>		<u>5.73%</u>
<u>Operating Margin</u>	<u>26.59%</u>		<u>10.46%</u>		<u>12.28%</u>
<u>Interest Expense</u>	<u>389,072</u>	<u>(192,746) (19)</u>	<u>196,326</u>	<u>0</u>	<u>196,326</u>